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Message Text

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ACTION EB-08

INFO OCT-01 AF-10 EUR-12 EA-10 ISO-00 AID-05 CIAE-00
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XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05
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P R 231615Z NOV 77
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC PRIORITY 6907
INFO AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY TOKYO
AMCONSUL LUBUMBASHI

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E.O. 11652: N/A
TAGS: EFIN, CG
SUBJECT: STATUS REPORT ON LONDON BANK AGREEMENT

REF: A) KINSHASA 10900, B) STATE 277917

1. CITIBANK OFFICIAL HAMILTON MESERVE AND NEW CITIBANK RESIDENT MANAGER ABBOTT ARRIVED KINSHASA SATURDAY EVENING, NOV 19. FOLLOWING IS GIST OF NUMEROUS CONVERSATIONS WE HAVE HAD WITH THEM CONCERNING STATUS OF LONDON BANK AGREEMENT:

A. ABBOTT AND MESERVE DEPARTED NEW YORK FOR KINSHASA VIA EUROPE WITH EXPECTATION THAT THEY HAD COMMITMENTS, PRIMARILY FROM AFMERICAN, CANADIAN, BRITISH, FRENCH AND JAPANESE BANKS, TO CONCLUDE AGREEMENT FOR LOAN TO ZAIRE OF APPROXIMATELY $200 MILLION. THEY HOPED THAT ANOTHER APPROXIMATELY $50 MILLION WOULD BE FORTHCOMING FROM OTHER BANKS ONCE $200 MILLION LOAN CONCLUDED.

B. ENROUTE TO KINSHASA, BELGIAN AND FRENCH BANKERS TOLD CITIBANK REPS THAT ZAIRE HAD ABANDONED IMF STABILIZATION
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PROGRAM AND, THEREFORE, ALL COMMITMENTS FOR LOAN WERE OFF.

C. CENTRAL BANK GOVERNOR BOFOSSA ASSURED CITIBANK REPS THAT ZAIRE HAS NOT ABANDONED IMF STABILIZATION PROGRAM. TO THE CONTRARY, BOFOSSA STATED, AT CONCLUSION OF PRESENT STANDYB, WHICH EXPIRES IN MARCH 1978, ZAIRE INTENDS TO APPLY FOR DRAWING UNDER PROPOSED NEW WITTEVEEN FACILITY, WHICH WOULD INVOLVE AN ADDITIONAL THREE-YEAR COMMITMENT BY ZAIRE TO IMF DISCIPLINE.

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D. BOFOSSA HAS RECENTLY REPEATED GOZ'S DETERMINATION TO ADHERE TO IMF PROGRAM AND REQUESTED THAT IMF SO INFORM FRENCH, BELGIAN AND OTHER FOREIGN BANKERS.

E. SINE QUA NON FOR DISBURSEMENT UNDER PROPOSED PRIVATE BANK LOAN IS THAT ZAIRE BE CURRENT WITH INTEREST AND PRINCIPAL PAYMENTS DUE PRIVATE BANKS UNDER SYNDICATED LOANS. AT PRESENT ZAIRE HAS APPROXIMATELY $81 MILLION IN BIS ACCOUNT. TOTAL OF ARREARAGES AND PAYMENTS DUE BY END OF 1977 WILL TOTAL APPROXIMATELY $131 MILLION, OR AN ADDITIOANL $51 MILLION. CITIBANK IS HOPEFUL THAT THESE FUNDS CAN BE OBTAINED BY COMPLICATED ARRANGEMENT UTILIZING PORTION OF EXISTING LETTERS OF CREDIT FROM PRIVATE BANKS. ANOTHER CONDITION PRECEDENT WILL BE THAT GOZ BE ELIGIBLE TO DRAW UNDER EXISTING IMF STANDBY AND, AT THIS TIME, THIS IS NOT POSSIBLE AS REPORTED REF B. HOWEVER, CITIBANK OFFICIALS BELIEVE THAT WORK CAN PROCEED ON LOAN DOCUMENTATION ALTHOUGH DISBURSEMENT WILL NOT BE POSSIBLE UNTIL ZAIRE IS ELIGIBLE TO DRAW UNDER STANDBY.

2. MESERVE DEPARTED KINSHASA FOR EUROPE EVENING NOV 22 FOR DISCUSSIONS WITH FRENCH BANKERS. AS OF TODAY, NOV 23, CITIBANK REPS ARE REASONABLY OPTIMISTIC THAT NEGOTIATIONS FOR LOAN ARE BACK ON TRACK AND THAT ABOVE CONDITIONS PRECEDENT CAN BE MET.
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